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DIRECTORATE OF INTELLIGENCE

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SOUTH VIETNAM: The three major battlefronts are fairly quiet as both sides prepare for further action.

Hue was somewhat calmer yesterday following some 36 hours in which public order largely collapsed in the downtown area of the city. President Thieu visited the city to confer with military commanders and to help improve morale. He expressed confidence about the general military situation.

The new commander in the northern provinces, General Truong, has told South Vietnamese soldiers in the Hue area to return to their units or be shot, and there are reports that he has sent armored personnel carriers and military police into the streets. Earlier in Saigon, Thieu had also issued a strong statement condemning disorders in the cities and calling for harsh measures by local authorities.

Nevertheless, Vietnamese remaining in Hue apparently are extremely apprehensive about the situation there, and few are optimistic about the near-term outlook. The restoration of public order, however, and the fact that there has been little direct enemy pressure against the city in the past few days have given the city a respite. It will be largely up to General Truong to use the respite to pull together the city's defenses. CRET)

ITALY: The Christian Democrats and the Liberals reportedly are more optimistic about their prospects in the parliamentary election on 7-8 May.

Earlier in the campaign, they had feared they would sustain heavy losses to the far-right Italian Social Movement (MSI). Now, according to the US Embassy, they believe their losses will be lighter.

The campaign strategy of the Christian Democrats has been to develop an option which would let them choose between forming a center or a center-left government. This option can be open only if they and the Liberals do not lose too many votes. The Christian Democrats have sought to reinvigorate the small but solid Liberal Party. They now hope to hold enough seats to give them an alternative to the previous center-left alliance.

The Christian Democrats consider that they will be able to form a viable new government if the election results enable them to combine either in the center with the Liberals or in the centerleft /ith the Italian Socialist Party. The option of a center group--the Christian Democrats, the Liberals, and two other parties--would have had only a narrow majority in the last legislature. Any significant loss to the right would jeopardize that formula for a new government. On the other hand, the four center-left parties of the previous government appear almost certain to retain sufficient strength to constitute a majority, but bitterness engendered by the current campaign, especially between the Christian Democrats and the Socialist Party, will make reconstitution of the previous center-left government difficult.

The Communists are expected to hold their own in the election. The principal question remains the degree to which the MSJ will attract votes from those parties in the conservative center on which the Christian Democrats are counting. The latest polls show a large percentage of voters still undecided. (CONFIDENTIAL)

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GUATEMALA: Partisan maneuvering is overtaking violence as the way to succeed in politics.

Political activists, weary of the bloodletting of the past two years, are turning more to party organization, probing for possible alliances, and testing the luster of their leaders. With President Arana almost midway through his term, incidents of political violence have dropped to less than 60 a month, only a third of the rate last year. Security forces still employ their scattershot approach to the terrorist problem, but they have nailed a few important subversives recently and have the guerrillas on the run or in hiding. Both the government and Communist Party deny it, but a modus vivendi is strongly suggested by the release from jail of important Communists.

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The political climate eased perceptibly after the lifting of the year-old state of siege last November failed to produce the spectacular terrorist actions that were widely feared. The government was able to hold, and to win handily, the municipal elections in March. The major rightist party and Arana's organizational base, the Nationalist Liberation Movement, is in far the best shape as the parties enter the shakedown phase preliminary to the presidential campaign. Its would-be standard bearer, Mario Sandoval

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might spur the now highly fragmented center and left into a coalition of convenience for the 1974 elections. This, in turn, could help revive legitimate politics. (SECRET NO FOREIGN DISSEM)

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JORDAN-USSR: The Soviets have agreed in principle to a visit by King Husayn but have requested that the King delay his trip for some months,

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has not revealed his motives in seeking an invitation to visit the USSR, he probably had hoped to obtain Soviet backing for his West Bank federation proposal and to secure some protection from radical Arab diatribes. Moscow is clearly concerned over Egyptian and fedayeen negative reaction to such a visit, however, and has been stalling the King for some time. Moreover, although the Soviets have not rejected the King's West Bank proposal, the violent rejection of it by the other Arab states will make Scviet support difficult. (CONFIDENTIAL)

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TURKEY: Leftist terrorists are stepping up their attacks in a desperate effort to gain the release of the three condemned terrorist leaders whose execution appears imminent. In the latest incident, the gendarmerie commander and three others were wounded by three assailants yesterday in a kidnaping attempt. One terrorist was killed, another was arrested, and one escaped. Other recent terrorist acts include the bombing of the Turkish Airways office in Stockholm yesterday and the hijacking of a Turkish DC-9 the day before during a flight from Ankara to Istanbul. attacks probably will occur intermittently. armed forces alert yesterday probably was prompted by the increased terrorist activity and may be a precursor to the executions. (SECRET NO FOREIGN DISSEM)

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LIBYA: The government and Western oil companies have agreed to raise the posted price of Libyan crude oil by 8.49 percent to offset losses caused by the devaluation of the US dollar. After a series of contentious sessions since January, the Libyans apparently accepted the same settlement that the Persian Gulf members of the Organization of Petroleum Exporting Countries had reached last January. Libya's agreement is retroactive to 20 January and should yield about \$170 million in additional revenue this year. Now that the problem of parity adjustment is settled, the Libyans can turn their attention to the more complex issue of participation. (CONFIDENTIAL)

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